

REQUEST FOR FINANCIAL CONSULTING SERVICES PROPOSAL

The City of Beverly Hills ("City") seeks proposals from qualified firms to provide financial consulting services.



June 17, 2016

City of Beverly Hills

Proposal Submittal Deadline: July 15, 2016

455 North Rexford Drive, Beverly Hills, CA 90210

Overview of Request for Proposal

The City is seeking the following financial services for a contract term of three years, with two one year options, which may be exercised at the City's discretion. The City intends to select one firm to serve as its financial consultant, though may select multiple firms depending on the responses to the RFP. The City may entertain joint proposals. Requested financial consulting services may include, but are not limited to, assisting the City to:

General Financial Consulting Services

- Develop and recommend strategies to maintain credit rating.
- Evaluate existing financial plans, cash flows and their fundamental objectives, recommending timing and financial requirements.
- Provide advice as to the effect of current and proposed state legislation, assist in the identification of financing alternatives and recommend adjustments where appropriate.
- Provide as needed financial advice regarding marketing conditions and trends, financial products, credit and credit analysis, third party alternative financing and special facility financing for outstanding bonds and construction loans.
- Review the City's long range financing strategy plan, with respect to existing bond debt and current investments. Analyze costs, financial impacts and risks taking in to account the City's current investment policy.
- Assist City Staff with potential refunding and new money issues, including but not limited to analyses and evaluations of underwriting proposals, financing structure, pricing rating and insurance proposals, reserve fund (re)investment, assistance with preparation and review of related documents, and coordination of financing schedules.
- Provide other financial services as requested which may include bond debt refinancing, and new debt issuance for major projects listed later in this RFP.
- Meeting with bond rating agencies.

The Chief Financial Officer will assign the work to be performed by the selected firm.

City Background General Information about the City

The City of Beverly Hills was incorporated in 1914 under the general laws of the State of California and is a long-established residential city and commercial center located within Los Angeles County in Southern California. The City, located 10 miles west of the Los Angeles City Hall, occupies a land area of approximately 5.7 square miles and serves a residential population of 34,763. The City estimates that services are provided to a daytime population of 100,000 to 150,000 persons during the day.

Local Economy

The City has enjoyed excellent economic growth over the last four years. Even when the national economy continues its slow steady growth, Beverly Hills economy has taken off with strong growth. This growth is driven by tourism, retail shopping attraction, strong commercial leasing and low vacancies, and home value appreciation. While these revenues continue to increase, the rate of that increase in sales and use tax, and transient occupancy tax has slowed and we are now expecting flatter growth in the future. Risks and uncertainties that could cause our local economy or at least our revenue base to contract remain a concern. Among these are:

- Traffic impacts from various public and private construction projects which could impact visits and retail sales in the City
- Potential for a slowing housing market
- The effect of a strong dollar on tourism attraction and retail spending in the City
- Geopolitical and economic events which might impact tourism or spending
- Global growth slowdown or contraction as we have seen in Europe and Far East (China, Japan, etc.)

Construction volume in the City remains high which bodes well for future economic activity in the City.

This steady growth has given the economy momentum and the City has benefitted. For secured and unsecured property tax, the 2015 County Assessor's roll provided the City with a 9.1% increase in valuation. Sales tax for FY 2016/17 is projected to be \$34.1 million or 4.9% higher than FY 2015/16 budget. It is forecasted that FY 2016/17 TOT revenue will increase \$1.1 million or 3% compared to FY 2015/16 year-end projections. We project that the business tax will produce about \$45.5 million in revenue for FY 2016/17, an increase of 3.4% over FY 2015/16. These drive the General Fund revenues and suggest continued growth for the City's economic base. Overall, the City's four major revenues are expected to increase by a total of \$11,505,000 or 6.96% in FY 2016/17 compared to FY 2015/16 budget.

Budget

Beverly Hills continues to enjoy strong revenues. The City's top four revenue sources (property tax, sales tax, transient occupancy tax, and business tax) represent about 79.4% of General Fund revenue and are projected to end FY 2015/16 6.5% higher than FY 2014/15. For FY 2016/17, these top four revenues are conservatively projected to increase by 4.6% over projected year-end FY 2015/16. The table below provides the

projected FY 2015/16 year-end revenue and the projected FY 2016/17 revenue for each of these four revenues and all other General Fund revenue.

Revenue Source	FY 2015/16 Projection	FY 2016/17 Projection	% Change
Property Tax	\$52,000,000	\$58,015,000	¹ 11.6%
Sales Tax	34,000,000	34,100,000	² 0.3%
Transient Occ. Tax	38,000,000	39,140,000	3.0%
Business Tax	45,000,000	45,500,000	1.1%
Other Revenue	48,873,000	45,771,301	-6.3%
Total Revenue	217,873,000	222,526,576	¹ 2.1%
Transfers In	106,000	6,000	³ -94.3%
Total Resources	\$217,979,000	\$222,532,576	2.1%

¹The property tax in-lieu of vehicle license fees revenue was moved from the category Subventions and Grants in Other Revenue into the Property Tax category for FY 2016/16, without this move Property Tax revenue the Property Tax revenue would only grow by 3.5%, and Other Revenue would grow by 2.2%.

²Sales Tax revenue appears to be flat due to one-time revenue in FY 2015/16 due "wind-down" of Triple-Flip.

³Transfers In are declining due to decision to phase-out use of Parks and Recreation Facilities Fund to offset General Fund tree trimming costs.

In addition to projected General Fund revenues for FY 2016/17 of \$222.5 million; \$6,000 in transfers into the General Fund from Gas Tax funds will be available. Total 2016/17 revenue for all funds is projected to be \$435.9 million and total interfund transfers in are budgeted at \$15.8 million.

Major Projects

In 2015, the Mayor's Financing Task Force met to review major City projects to determine whether debt financing should be considered for any of them. The following three projects, in particular, were recommended for possible debt financing:

- Water Enterprise Master Plan
- Fiber to the Premise
- Storm Water Retention

Financial Information

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (7,389,001)	285,630	663,617	558,046	(5,881,708)	—	(5,881,708)
Public safety	(109,831,170)	21,377,440	97,581	3,181,270	(85,174,879)	—	(85,174,879)
Public service	(31,567,699)	37,956,672	321,465	3,220,173	9,930,612	—	9,930,612
Culture and recreation	(48,715,791)	12,715,281	29,972	—	(35,970,538)	—	(35,970,538)
Interest on long-term debt	(6,823,570)	—	—	—	(6,823,570)	—	(6,823,570)
Total governmental activities	(204,327,230)	72,335,023	1,112,635	6,959,489	(123,920,083)	—	(123,920,083)
Business-type activities:							
Water	(31,609,747)	36,067,148	—	73,375	—	4,530,776	4,530,776
Parking facilities	(16,555,653)	23,820,621	—	—	—	7,264,968	7,264,968
Solid waste	(15,004,536)	15,905,463	—	150,162	—	1,051,089	1,051,089
Wastewater	(8,612,829)	13,125,432	—	—	—	4,512,603	4,512,603
Stormwater	(3,202,152)	1,729,217	—	—	—	(1,472,935)	(1,472,935)
Parking authority	(29,729,550)	27,873,951	—	—	—	(1,855,599)	(1,855,599)
Total business-type activities	(104,714,467)	118,521,832	—	223,537	—	14,030,902	14,030,902
Total	\$ (309,041,697)	190,856,855	1,112,635	7,183,026	(123,920,083)	14,030,902	(109,889,181)
General revenues:							
Taxes:							
Business					43,792,802	—	43,792,802
Property					53,577,294	—	53,577,294
Sales					31,338,893	—	31,338,893
Transient occupancy					36,658,589	—	36,658,589
Other					9,275,967	—	9,275,967
Unrestricted investment earnings					9,570,102	1,692,292	11,262,394
Net change in fair value of investments					(854,729)	(276,237)	(1,130,966)
Miscellaneous					3,565,509	5,206,971	8,772,480
Transfers (note 6)					7,575,210	(7,575,210)	—
Total general revenues and transfers					194,499,637	(952,184)	193,547,453
Change in net position					70,579,554	13,078,718	83,658,272
Net position, July 1					579,233,448	247,807,280	827,040,728
Restatement of net position					(205,501,537)	(14,193,855)	(219,695,392)
Net position, July 1, as restated					373,731,911	233,613,425	607,345,336
Net position, June 30					\$ 444,311,465	246,692,143	691,003,608

Proposal Due Date

Sealed proposals including three (3) complete copies will be received by the Chief Financial Officer no later than Friday, July 15, 2016 unless time is extended by written addendum issued by the City before that date. Late proposals will not be accepted. Postmarks will not be accepted as the submitted date. Proposals shall be addressed as follows:

Don Rhoads
Director of Administrative Services/
Chief Financial Officer
455 North Rexford Drive, 3rd Floor
Beverly Hills, CA 90210

Submitted envelopes should be marked "Request for Proposal for Financial Consulting Services' _____' [Firm Name(s)]".

Submission of Proposals**Request for additional Information**

By submitting proposal, the proposer agrees to furnish such additional information as the City may reasonably require. This includes information which indicates financial resources as well as the ability to provide the services. To the extent there are any revisions or additions to the information provided or requested in this RFP, an addendum will be sent to all firms who received the RFP. The City reserves the right to make such investigations of the qualifications of the proposer as it deems appropriate.

Proposal Binding

All proposals submitted shall be binding on proposers for one hundred twenty (120) calendar days following opening of the proposals.

Incurred Expenses

The City is not responsible for any cost incurred by a firm in either responding to this RFP, or in participating in oral presentation or meetings with the City.

Proprietary Information

In accordance with applicable Public Records Act and except as otherwise may be provided by applicable State and Federal law, all proposers should be aware that the RFP's and responses thereto are a public record. Proposals received in response to this RFP will become the property of the City and will not be returned to the proposers. In the event of contract award, all documentation produced as part of the contract will become the exclusive property of the City.

Interviews

The City reserves the right to interview some, all, or none of the firms responding to the RFP based solely on the City's judgment as to the firm's qualifications and capabilities.

Acceptance/Rejection/Modifications to Proposals

The City reserves the right to accept or reject any or all proposals, negotiate modifications to proposals that it deems acceptable, to request and consider additional information from any proposer and to waive minor irregularities and technical defects in the proposal process. The City reserves the right to seek new proposals when it determines that it is in the best interest to do so. The City also reserves the right not to pursue any specific financing products discussed in the RFP.

Evaluation Criteria and Selection Process**Evaluation Criteria**

Firms will be evaluated on a combination of responsiveness, organization and clarity of proposal related to the scope of work, agreement to meet the City's general terms and conditions, fees, firm experience, qualifications and experience of assigned personnel, and responses of references.

Selection Process

The Review Committee may schedule interviews and/or presentations with short-listed proposers. Based on the outcome of the Review Committee's evaluation of proposals, a recommendation will be submitted to the City Council for consideration of award. An award of contract occurs when the contract is approved by the Beverly Hills City Council. Selection of a proposer with whom the City enters into contract negotiations with or a recommendation of an award by the Committee or any other party does not constitute an award of contract. The City expects, but does not guarantee, that the decision on selection of a firm will be made by the Beverly Hills City Council on the date indicated below.

Tentative Schedule

Deadline for return of proposal	July 15, 2016 by 5:00 p.m.
Evaluations, Reviews and Interviews/Presentations	July 15, 2016 thru July 29, 2016
Recommendation submitted to City Council for approval	August 16, 2016

Format and Content of RFP**Title Page**

Show the name of proposer's agency/firm, address, telephone number, and name of contact person, date and the subject: REQUEST FOR PROPOSAL FOR FINANCIAL CONSULTING SERVICES' _____' (FIRM)

Table of Contents

Include a clear identification of the material by section and by page number.

Cover Letter and Executive Summary

This letter should be signed by the person in your firm who is authorized to negotiate terms, render binding decisions and commit the firm's resources.

Summarize the proposer's understanding of the work to be done and make positive commitment to perform the work in accordance with the terms of the proposal being submitted. This section should summarize the key points of your submittal. In addition, you must include a statement that your firm understands that if selected as financial consultant, your firm is prohibited from proposing any financial transactions or serving as underwriter or swap counterparty for any City/Agency financing for the duration of the contract and may not terminate the contract to do so.

Limit to one or two pages

Firm Overview

Provide a brief description of how your firm is organized, including the businesses in which it is engaged, the location of offices, number of public finance professionals in each office, and the role of the municipal bond industry and comment on any recent significant changes in your organization. Include a discussion of the specific expertise and services that distinguish your firm. Include your firm's understanding of the work to be performed. In addition, state why your firm believes it is the best qualified to perform the services requested.

Personnel and References

Provide the names, proposed roles, background and experience, office location and availability of the personnel that work on the City's account, and specifically identify the primary person(s) who will be responsible for managing the relationship with the City. Identify who will provide any computer financial analysis services. For the proposed personnel, provide a list of five clients worked with in the last 36 months; a brief description of the type and size of transaction and the services you provided; and the names, titles, addresses and telephone numbers of the government officials primarily responsible for the transactions.

You should list clients and transactions which are similar to financing contemplated by the City (i.e., taxable or tax-exempt new money issues, variable rate financings, refunding, etc). Also provide three additional client references for your firm.

Long-term Strategic Financial Planning Experience

Provide a description of your proposed personnel's relevant experience over the last three years. Include three case studies, if available, that illustrate your experience with

relevant long-term strategic financial planning experience involving transactions where the proposed personnel have served as a financial consultant.

New Money (Taxable and Non-Taxable) Experience

Provide a description of your proposed personnel's relevant experience over the last three years. Include three case studies, if available, that illustrate your experience with relevant new money transactions that involve Taxable and Non-Taxable bond transactions where the proposed personnel have served as a financial consultant.

Advance and Current Refunding Experience

Provide a description of your proposed personnel's relevant experience over the last three years. Include three case studies, if available, that illustrate your experience with relevant bond refunding services where the proposed personnel have served as a financial consultant.

Market and Pricing Information

Describe your firm's knowledge, experience and resources in tracking and monitoring the tax-exempt and taxable bond markets, including fixed rate, variable rate, swaps and other products, and the government securities market. Include a discussion of your firm's participation in underwriting tax-exempt and taxable bonds, acting as a principal in swap transactions, and providing investment services. Also discuss your process for ensuring that the City receives the best price for any bonds, financing involving swaps and other products, and any securities as part of any refunding. Include a discussion of how you evaluate the success of any pricing.

Disciplinary Action

List any and all disciplinary action, administrative proceeding, malpractice claim or other like proceedings against your firm or any of its personnel relating to your firm's services as financial consultant current, pending or occurring in the last five (5) years.

Cost Proposal and Reimbursement for "Out-of Pocket" Expenses**Cost Proposal**

Present a concise list of the scope of services and the work products that your firm proposes to provide. Given your proposed scope of services and work products, discuss your proposed scope of services and work products, discuss your proposed fee arrangement based on each of the following alternatives:

- Compensation on a fixed annual cost, payable monthly
- Compensation on a time and expense basis, with a list of hourly billing rates for the proposed personnel and any proposed increases in such rates during the term of the contract, and the types of reimbursable expenses with proposed charges.
- Compensation on a cents-per-bond or per \$1,000 of notional amount basis to be paid on a contingent basis for specific financing issues.

Fees will be subject to adjustment based upon assignment by the Chief Financial Officer of more than one firm in a single project. Expenses such as travel, postage, reproduction and related costs necessarily incurred as Financial Consultant are to be reflected in item Cost Proposal. Such expenses will not be eligible for reimbursement unless otherwise determined by the Chief Financial Officer and approved by the City in advance.

Any costs incurred by Financial Consultant which is not specifically provided for herein shall be the expense of the Financial Consultant. Any omissions or ambiguities will be construed most favorable to the City.

Potential Conflict of Interest

You should advise the City of any potential conflicts know by your firm and discuss how, if selected, your firm would address any concerns raised by such a dual representation. You should identify all the clients that you are currently representing that are also consultants to the city and you must notify the city when you enter into any new contracts with consultants of the city.

Business Relationships with Other Entities

Disclose all compensation/fee arrangements (formal or informal) that your firm, its related entities or any proposed personnel currently has or within the past twelve months has had, with any other potential parties to contemplated financing in which your firm was engaged in any capacity. Such parties include, but are not limited to, swap providers, verification agents, financial consulting firms, investment banking firms, any other consultants or financial institutions, and law firms.

Terms of Agreement

The Agreement to be entered into with the successful proposer will include, but not be limited to, the following terms and conditions:

Professional Service Agreement – attached.

Additional Information is Available on the City's Website: www.beverlyhills.org